

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

# **Michigan 47th District Court**

---

**Financial Report  
with Supplemental Information  
June 30, 2006**

# Michigan 47th District Court

---

## Contents

<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-6
<b>Basic Financial Statements</b>	
Governmental Fund Balance Sheet/Statement of Net Assets	7
Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	8-9
Fiduciary Funds - Statement of Assets and Liabilities	10
Notes to Financial Statements	11-19
<b>Required Supplemental Information</b>	20
Budgetary Comparison Statement - Administration Fund	21-22
<b>Other Supplemental Information</b>	23
Schedule of Cash Receipts and Disbursements - Agency Fund Types	24



**Plante & Moran, PLLC**  
27400 Northwestern Highway  
P.O. Box 307  
Southfield, MI 48037-0307  
Tel: 248.352.2500  
Fax: 248.352.0018  
plantemoran.com

## Independent Auditor's Report

To District Judges Marla E. Parker  
and James B. Brady and the  
Members of the City Councils  
of Farmington and Farmington Hills  
Michigan 47th District Court  
Farmington Hills, Michigan 48336

We have audited the accompanying financial statements of the governmental activities, the Administration Fund, and the fiduciary fund information of the Michigan 47th District Court, which collectively comprise the Court's basic financial statements as of and for the year ended June 30, 2006. These financial statements are the responsibility of the Michigan 47th District Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the Administration Fund, and the fiduciary fund information of the Michigan 47th District Court and the respective changes in financial position thereof for the year ended June 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The required supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic statements of the Michigan 47th District Court. This information has been subjected to the procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A member of



A worldwide association of independent accounting firms

To District Judges Marla E. Parker  
and James B. Brady and the Members of the City  
Councils of Farmington and Farmington Hills  
Michigan 47th District Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Court's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 14, 2006

# Michigan 47th District Court

---

## Management's Discussion and Analysis

Our discussion and analysis of the Michigan 47th District Court's (the "Court") financial performance provides an overview of the Court's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the Court's financial statements.

The Court is a joint venture of the City of Farmington and the City of Farmington Hills. Its financial activities are comprised of two major functions - the operation of the Court and its trust and agency transactions. The operation of the Court is reported in its Administration Fund. The trust and agency activities of the court are reported in Fiduciary Funds.

### Using this Annual Report

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The basic financial statements include information that presents two different views of the Court:

- The first column of the financial statements includes information on the Court's Administration Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Court's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government-wide financial statement column provides both long-term and short-term information about the Court's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Court as a whole and present a longer-term view of the Court's finances. These statements tell how these services were financed in the short term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

# Michigan 47th District Court

## Management's Discussion and Analysis (Continued)

### Condensed Financial Information

The table below depicts key financial information for the Administration Fund in a condensed format, in thousands of dollars:

	2006	2005
<b>Assets</b>		
Current assets	\$ 393	\$ 330
Capital assets	98	118
Total assets	491	448
<b>Liabilities</b>		
Other liabilities	300	265
Installment purchase agreements	66	85
Total liabilities	366	350
<b>Net Assets</b>		
Invested in capital assets	32	34
Restricted for drunk driving-related expenses	36	62
Unrestricted	57	2
Total net assets	<u>\$ 125</u>	<u>\$ 98</u>
<b>Revenue</b>		
Contributions:		
City of Farmington	\$ 394	\$ 398
City of Farmington Hills	2,612	2,571
State funding - Judicial salaries	91	91
Other	50	72
Total revenue	3,147	3,132
<b>Expenses - Court services</b>	<u>3,120</u>	<u>3,144</u>
<b>Change in Net Assets</b>	<u>\$ 27</u>	<u>\$ (12)</u>

# Michigan 47th District Court

## Management's Discussion and Analysis (Continued)

### The Court as a Whole

- The Court's primary source of revenues is contributions from the Cities of Farmington and Farmington Hills, Michigan, which represents 96 percent of total revenue.
- Salaries and fringe benefits continue to be a significant expense of the Court, representing 75 percent of the Court's total expenditures.
- The Court's Administration Fund's actual contributions from the cities were less than budgeted by \$251,051. This resulted from the Court using \$39,717 of drunk driving funds to cover certain expenses and the Court spending less than was budgeted by \$238,618.
- Court assets, revenues, and net assets increased from last year primarily due to a contribution from the cities for a document imaging projector that was budgeted to be purchased in 2005-2006, but was postponed to the 2006-2007 fiscal year. Expenditures decreased as a result of reduced caseload and increased spending controls.

### The Court's Fund

Our analysis of the Court's major fund is included on pages 7 through 9 in the first column of the respective statements. The fund column provides detailed information about the most significant fund, not the Court as a whole. The Court's major fund consists solely of the Administration Fund.

The Administration Fund budget is prepared by court administration and approved by the councils of the two cities. Substantially all of the expenditures of the Court are paid for by contributions from the two cities based upon an agreed formula for funding the Court.

The fund balances of the Court consist of legal reserves, amounts designated for capital purchases, and imprest cash. Once per year, at the end of the Court's fiscal year, the two cities calculate the net expenditures of the Court and adjust their final contribution to set fund balances at the approved reserves. During the current year, fund balance was increased by \$29,000, primarily due to the cities agreeing to fund and designate the contributions for \$55,000 for a document imaging project that was budgeted for fiscal year 2005-2006 but is being rolled forward into fiscal year 2006-2007.



# **Michigan 47th District Court**

---

## **Management's Discussion and Analysis (Continued)**

### **Court Budgetary Highlights**

The Court was significantly under budget in 2005-2006 and generally the expenditure reductions were related to a drop-off in case filings, particularly in the traffic category. Case-related line items were well under budget projections across the board, including the statutory line items such as witness fees, jury fees, interpreter fees, and court-appointed counsel. In addition, because of the reduced number of case filings, the Court held a position vacant throughout the year resulting in savings in the personnel line items including salaries, Social Security, retirement contribution, and hospitalization. Additional savings in hospitalization were realized due to two employees moving to payment in lieu of hospitalization (thus the increase in that line item) as well as actual premium increases coming in lower than projected increases made at budget submittal time.

Recognizing that revenues were unlikely to reach budget projections made by the City of Farmington Hills because of the significant drop-off in traffic filings, court management implemented cost-saving strategies where possible to help bridge the gap between revenues and expenses. In addition, the Court's aggressive collections efforts minimized the reduction in revenues to Farmington Hills. Revenues for the City of Farmington exceeded 2004-2005 totals.

Escalating public utilities costs drove expenditures in that line item above budget. However, that was more than offset by the across-the-board savings strategies implemented by the Court. Expenses in the contractual services line item exceeded budget by \$23,299 due to year-end technology upgrades and training for the Court's case processing system.

Finally, the budget included \$55,000 for a document imaging/management system that was not implemented. This capital project has been rolled forward to next year's budget.

### **Contacting the Court's Management**

This financial report is intended solely to provide our funding units, citizens, and taxpayers a general overview of the Court's finances and to show the Court's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Court's administration.

# Michigan 47th District Court

## Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2006

	Administration Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 357,952	\$ -	\$ 357,952
Due from other governmental units	17,391	-	17,391
Prepaid expenses and other assets	18,037	-	18,037
Capital assets - Net (Note 4)	-	97,501	97,501
Total assets	<b>\$ 393,380</b>	97,501	490,881
<b>Liabilities</b>			
Accounts payable	\$ 55,521	-	55,521
Due to other governmental units	201,652	-	201,652
Salary withholdings, accrued payroll, and payroll taxes payable	42,800	-	42,800
Noncurrent liabilities (Note 5):			
Due within one year	-	19,840	19,840
Due in more than one year	-	45,751	45,751
Total liabilities	299,973	65,591	365,564
<b>Fund Balance</b>			
Reserved - Drunk driving and drug case management appropriation (Note 6)	36,057	(36,057)	-
Unreserved:			
Designated for capital outlay (Note 6)	55,000	(55,000)	-
Undesignated	2,350	(2,350)	-
Total fund balance	93,407	(93,407)	-
Total liabilities and fund balance	<b>\$ 393,380</b>		
<b>Net Assets</b>			
Invested in capital assets - Net of related debt		31,910	31,910
Restricted for drunk driving and drug case management related expenses (Note 6)		36,057	36,057
Unrestricted		57,350	57,350
Total net assets		<b>\$ 125,317</b>	<b>\$ 125,317</b>

# Michigan 47th District Court

## Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2006

	Administration Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full-accrual Basis
<b>Revenue</b>			
Contributions:			
City of Farmington	\$ 394,393	\$ -	\$ 394,393
City of Farmington Hills	2,611,650	-	2,611,650
State funding:			
Judicial salaries	91,448	-	91,448
Drug court	1,932	-	1,932
Drunk driving	12,978	-	12,978
Miscellaneous income	35,018	-	35,018
Total revenue	3,147,419	-	3,147,419
<b>Expenditures</b>			
Salaries and wages	1,627,747	-	1,627,747
Employees' longevity pay	35,621	-	35,621
Fringe benefits	20,700	-	20,700
Insurance allowance	840	-	840
Vehicle allowance	3,600	-	3,600
Payment in lieu of hospital insurance	41,663	-	41,663
Social Security	123,090	-	123,090
Employees' hospitalization insurance	270,681	-	270,681
Employees' life insurance	21,654	-	21,654
Retirement contribution	267,537	-	267,537
Workers' compensation	8,537	-	8,537
Employees' dental plan	40,248	-	40,248
Office supplies	46,172	-	46,172
Postage	19,574	-	19,574
Records management	3,143	-	3,143
Law library	7,346	-	7,346
Professional services	756	-	756
Professional services - Labor relations	198	-	198
Witness fees	7,017	-	7,017
Jury fees	1,937	-	1,937
Interpreter fees	8,778	-	8,778
Substitute court reporter	3,865	-	3,865
Court-appointed counsel	68,200	-	68,200
Accounting fees	29,392	-	29,392
Audit and accounting fees	12,640	-	12,640

# Michigan 47th District Court

## Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities (Continued) Year Ended June 30, 2006

	Administration Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full-accrual Basis
<b>Expenditures (Continued)</b>			
Contractual services	\$ 157,807	\$ (19,086)	\$ 138,721
Telecommunications	14,323	-	14,323
Transportation	7,277	-	7,277
Mileage	1,017	-	1,017
Public utilities	122,496	-	122,496
Maintenance - Office equipment	5,995	-	5,995
Building maintenance	48,209	-	48,209
Cleaning and uniforms	2,056	-	2,056
Equipment rental	15,003	-	15,003
Memberships	4,701	-	4,701
Miscellaneous	6,142	-	6,142
Banking charges	9,422	-	9,422
Insurance and bonds	34,471	-	34,471
Noncapitalized assets	6,822	-	6,822
2006 Drug court	2,786	-	2,786
Capital outlay	8,960	(8,960)	-
Depreciation	-	29,987	29,987
Total expenditures	3,118,423	1,941	3,120,364
<b>Excess of Revenue Over Expenditures/Change in Net Assets</b>	28,996	(1,941)	27,055
<b>Fund Balance/Net Assets - Beginning of year</b>	64,411	33,851	98,262
<b>Fund Balance/Net Assets - End of year</b>	<u><u>\$ 93,407</u></u>	<u><u>\$ 31,910</u></u>	<u><u>\$ 125,317</u></u>

# Michigan 47th District Court

## **Fiduciary Funds Statement of Assets and Liabilities June 30, 2006**

	<u>Agency Fund</u>	<u>Trust Fund</u>
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 362,824	\$ 207,905
Due from other governmental units	<u>1,849</u>	<u>-</u>
Total assets	<b><u>\$ 364,673</u></b>	<b><u>\$ 207,905</u></b>
<b>Liabilities</b>		
Due to City of Farmington Hills	\$ 205,008	\$ -
Due to City of Farmington	52,028	-
Due to Municipal Building Fund	13,409	-
Due to State of Michigan	84,655	-
Due to Oakland County	6,250	-
Refundable bonds and other	<u>3,323</u>	<u>207,905</u>
Total liabilities	<b><u>\$ 364,673</u></b>	<b><u>\$ 207,905</u></b>

# Michigan 47th District Court

---

## Notes to Financial Statements June 30, 2006

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of the Michigan 47th District Court (the "Court") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Court:

#### **Reporting Entity**

The Court is reported as a joint venture in the cities of Farmington and Farmington Hills, Michigan's basic financial statements. Based on the significance of any operational or financial relationships with the Court, there are no component units to be included in the Court's financial report.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Court's basic financial statements include both the Court's full accrual financial statements and modified accrual financial statements.

#### **Full Accrual Financial Statements**

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which are described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statement of net assets includes and recognizes all long-term assets, as well as long-term obligations. The Court's net assets are reported in three parts - invested in capital assets, restricted net assets, and unrestricted net assets.

The statement of activities eliminates capital outlay expense and principal payments on installment purchase agreements and includes depreciation on long-term assets.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the full accrual financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Court has elected not to follow public sector standards issued after November 30, 1989 for its full accrual activities.

# Michigan 47th District Court

---

## Notes to Financial Statements June 30, 2006

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Modified Accrual Financial Statements**

The Court's modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which are described below.

Grant and other revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay finance expenditures of the fiscal period. For this purpose, the Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Fine and fee revenue items are considered to be available only when cash is received by the Court. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period.

The accounts of the Court are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad categories as follows:

#### **Governmental Funds**

**Administration Fund** - The Administration Fund was established to account for the operations of the Court. The Administration Fund is funded principally by transfers from the City of Farmington Hills and the City of Farmington and reimbursements from the State of Michigan.

#### **Fiduciary Funds**

**Agency and Trust Funds** - The Agency and Trust Funds report the collection of amounts that are subsequently returned or paid to third parties. Accordingly, the operations of the funds are limited to cash transactions.

# Michigan 47th District Court

---

## Notes to Financial Statements June 30, 2006

### Note I - Summary of Significant Accounting Policies (Continued)

#### Financial Statement Amounts

**Cash and Cash Equivalents** - The Court has defined cash and cash equivalents to include cash on hand and all highly liquid investments purchased with an original maturity of three months or less when acquired.

**Capital Assets** - Capital assets are defined by the Court as assets with an initial cost of more than \$4,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Court only records capital assets paid for by the Administration Fund. The Court building and the majority of the furniture and equipment were paid for by the Farmington Hills Building Authority and are recorded on the financial statements of the City of Farmington and the City of Farmington Hills.

Computers and computer software are depreciated using the straight-line method over the useful life of five years. Equipment is depreciated using the straight-line method over the useful life of seven years.

**Long-term Obligations** - In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets.

**Fund Equity** - In the fund financial statements, the governmental fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.



# Michigan 47th District Court

## Notes to Financial Statements June 30, 2006

### Note 2 - Reconciliation of the Court as a Whole and the Individual Fund Financial Statements

Total fund balance and the net change in fund balance of the Court's Administration Fund differs from the net assets and change in net assets of the Court's activities reported in the governmental fund balance sheet/statement of net assets and the statement of governmental revenue, expenditures, and changes in fund balance/statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the Administration Fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

<b>Total Fund Balance - Modified Accrual Basis</b>	<b>\$ 93,407</b>
--	------------------

Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources and are not reported in the funds	97,501
--	--------

Installment purchase obligations are not due and payable in the current period and are not reported in the funds	(65,591)
--	----------

<b>Total Net Assets - Full Accrual Basis</b>	<b><u>\$ 125,317</u></b>
--	--------------------------

# Michigan 47th District Court

## Notes to Financial Statements June 30, 2006

### Note 2 - Reconciliation of the Court as a Whole and the Individual Fund Financial Statements (Continued)

<b>Net Change in Fund Balance - Modified Accrual Basis</b>	<b>\$ 28,996</b>
--	------------------

Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	8,960
--	-------

Depreciation is recorded as an expense in the statement of activities	(29,987)
--	----------

Repayment of installment purchase agreement is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	<u>19,086</u>
--	---------------

<b>Change in Net Assets - Full Accrual Basis</b>	<b><u>\$ 27,055</u></b>
--	-------------------------

### Note 3 - Deposits

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Court is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Court has designated one bank for the deposit of its funds. The investment policy adopted by the Court in accordance with Public Act 196 of 1997 has authorized investment in all investments permissible under Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) as listed above. The Court's deposits and investment policies are in accordance with statutory authority.

# Michigan 47th District Court

## Notes to Financial Statements June 30, 2006

### Note 3 - Deposits (Continued)

The Court's cash is subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Court's deposits may not be returned to it. The Court does not have a deposit policy for custodial credit risk. At year end, the Court had \$772,943 of bank deposits (checking accounts) that were uninsured and uncollateralized. The Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Court evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Court has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Money market account	\$ 254,605	Not rated	N/A

### Note 4 - Capital Assets

Capital asset activity of the Court was as follows:

	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
Capital assets being depreciated:				
Computers and computer software	\$ 103,908	\$ 8,960	\$ -	\$ 112,868
Equipment	64,439	-	-	64,439
Subtotal	168,347	8,960	-	177,307
Accumulated depreciation:				
Computers and computer software	31,408	20,782	-	52,190
Equipment	18,411	9,205	-	27,616
Subtotal	49,819	29,987	-	79,806
Net capital assets being depreciated	\$ 118,528	\$ (21,027)	\$ -	\$ 97,501

# Michigan 47th District Court

## Notes to Financial Statements June 30, 2006

### Note 5 - Installment Purchase Agreements

#### Outstanding Obligations

Installment purchase agreements are general obligations of the Court. The activity can be summarized as follows:

	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Installment purchase agreement - AS400: Amount of issue - \$64,439 Maturing through 2009	\$856-\$997	\$ 47,218	\$ -	\$ (10,431)	\$ 36,787	\$ 10,843
Installment purchase agreement - Telephone system: Amount of issue - \$53,131 Maturing through 2009	\$710-\$824	37,459	-	(8,655)	28,804	8,997
Total installment purchase agreements		<u>\$ 84,677</u>	<u>\$ -</u>	<u>\$ (19,086)</u>	<u>\$ 65,591</u>	<u>\$ 19,840</u>

#### Debt Service Requirements

The annual requirements to service all installment purchase obligations outstanding as of June 30, 2006, including principal and interest, are as follows:

Years Ending June 30	Principal	Interest	Total
2007	\$ 19,840	\$ 2,192	\$ 22,032
2008	20,621	1,412	22,033
2009	21,439	594	22,033
2010	3,691	21	3,712
Total	<u>\$ 65,591</u>	<u>\$ 4,219</u>	<u>\$ 69,810</u>

#### Interest

Interest expense for the Court for the year ended June 30, 2006 was approximately \$2,900.

# Michigan 47th District Court

## Notes to Financial Statements June 30, 2006

### **Note 6 - Designated and Reserved/Restricted Fund Balance/Net Asset Activity**

A summary of the current year activity related to the Court's drunk driving and drug case management appropriation is as follows:

Reserved/Restricted fund balance/Net assets - July 1, 2005	\$ 62,061
Current year receipts from State of Michigan	13,713
Current year expenditures	<u>(39,717)</u>
Reserved/Restricted fund balance/Net assets - June 30, 2006	<u>\$ 36,057</u>

Fund balance at June 30, 2006 in the amount of \$55,000 has been designated for the purpose of document imaging equipment. Funds were received prior to June 30, 2006 from the Cities of Farmington and Farmington Hills and the Court plans to purchase the equipment during the next fiscal year.

### **Note 7 - Budget Information**

The annual budget of the Administration Fund is prepared by Court management and adopted by the city councils of the City of Farmington and the City of Farmington Hills, Michigan in May for the following fiscal year; subsequent amendments are approved by both city councils. During the current year, there were no budget amendments. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2006 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (statement of revenue, expenditures, and changes in fund balance - budget and actual - Administration Fund) is presented on the same basis of accounting used in preparing the adopted budget.

The Administration Fund budget has been adopted in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the Administration Fund budget as adopted by the respective city councils is included in the required supplemental information.

# Michigan 47th District Court

---

## Notes to Financial Statements June 30, 2006

### **Note 8 - Risk Management**

The Court is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Court has purchased commercial insurance for medical benefits provided to employees, and participates in the Michigan Municipal Risk Management Authority (the "Authority"), a risk pool for claims relating to property loss, torts, and errors and omissions. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims in excess of plan limits remains with the Court.

### **Note 9 - Retirement Plans**

Employees of the Court are covered by the retirement plan of the City of Farmington Hills. Information related to this plan is available at the City of Farmington Hills city offices.

## **Required Supplemental Information**

---

# Michigan 47th District Court

## Required Supplemental Information Budgetary Comparison Schedule - Administration Fund Year Ended June 30, 2006

	Original and Amended Budget*	Actual	Favorable (Unfavorable) Variances with Amended Budget
<b>Revenue</b>			
Contributions:			
City of Farmington	\$ 427,331	\$ 394,393	\$ (32,938)
City of Farmington Hills	2,829,763	2,611,650	(218,113)
State funding:			
Judicial salaries	91,448	91,448	-
Drug court	-	1,932	1,932
Drunk driving	39,716	12,978	(26,738)
Miscellaneous income	8,500	35,018	26,518
Total revenue	3,396,758	3,147,419	(249,339)
<b>Expenditures</b>			
Salaries and wages	1,668,324	1,627,747	40,577
Employees' longevity pay	40,726	35,621	5,105
Fringe benefits	24,000	20,700	3,300
Insurance allowance	840	840	-
Vehicle allowance	3,600	3,600	-
Payment in lieu of hospital insurance	35,535	41,663	(6,128)
Social Security	129,798	123,090	6,708
Employees' hospitalization insurance	325,221	270,681	54,540
Employees' life insurance	23,329	21,654	1,675
Retirement contribution	290,429	267,537	22,892
Workers' compensation	10,660	8,537	2,123
Employees' optical plan	4,000	-	4,000
Employees' dental plan	46,970	40,248	6,722
Office supplies	49,000	46,172	2,828
Postage	23,500	19,574	3,926
Records management	2,500	3,143	(643)
Law library	8,093	7,346	747
Professional services	18,000	756	17,244
Professional services - Labor relations	5,000	198	4,802
Witness fees	14,000	7,017	6,983
Jury fees	7,500	1,937	5,563
Interpreter fees	32,000	8,778	23,222
Substitute court reporter	12,000	3,865	8,135
Court-appointed counsel	85,000	68,200	16,800
Accounting fees	29,381	29,392	(11)



# Michigan 47th District Court

## Required Supplemental Information Budgetary Comparison Schedule - Administration Fund (Continued) Year Ended June 30, 2006

	Original and Amended Budget*	Actual	Favorable (Unfavorable) Variances with Amended Budget
<b>Expenditures (Continued)</b>			
Audit and accounting fees	\$ 10,000	\$ 12,640	\$ (2,640)
Contractual services	134,508	157,807	(23,299)
Telecommunications	16,000	14,323	1,677
Transportation	13,500	7,277	6,223
Mileage	2,000	1,017	983
Public utilities	108,000	122,496	(14,496)
Maintenance - Office equipment	22,707	5,995	16,712
Building maintenance	52,220	48,209	4,011
Cleaning and uniforms	2,925	2,056	869
Equipment rental	15,270	15,003	267
Memberships	6,515	4,701	1,814
Miscellaneous	11,000	6,142	4,858
Banking charges	12,000	9,422	2,578
Insurance and bonds	35,807	34,471	1,336
Noncapitalized assets	5,000	6,822	(1,822)
2006 Drug court	-	2,786	(2,786)
Capital outlay	59,900	8,960	50,940
	<u>3,396,758</u>	<u>3,118,423</u>	<u>278,335</u>
Total expenditures			
	-	28,996	28,996
<b>Excess of Revenue Over Expenditures</b>			
	64,411	64,411	-
<b>Fund Balance - Beginning of year</b>			
	<u>\$ 64,411</u>	<u>\$ 93,407</u>	<u>\$ 28,996</u>
<b>Fund Balance - End of year</b>			

\* There were no budget amendments in the current year.

## **Other Supplemental Information**

---

# Michigan 47th District Court

## Schedule of Cash Receipts and Disbursements Agency Fund Types Year Ended June 30, 2006

	Agency Fund	Trust Fund
<b>Cash and Cash Equivalents - July 1, 2005</b>	<b>\$ 339,878</b>	<b>\$ 147,484</b>
<b>Cash Receipts</b>		
Fines and fees collected	4,115,657	-
Interest and other	9,202	1,872
Bond and escrow receipts and garnishments collected	-	685,613
Total cash receipts	4,124,859	687,485
<b>Disbursements</b>		
Transfers to Court control units:		
City of Farmington	650,352	-
City of Farmington Hills	2,332,377	-
Transfers to State of Michigan	865,539	-
Transfers to Oakland County	73,585	-
Bond refunds and forfeitures and escrow and garnishments disbursed	-	627,064
Transfers to Building Fund	134,861	-
Transfers for clearance cards	36,338	-
Bank charges and other	8,861	-
Total disbursements	4,101,913	627,064
<b>Cash and Cash Equivalents - June 30, 2006</b>	<b><u>\$ 362,824</u></b>	<b><u>\$ 207,905</u></b>



**Plante & Moran, PLLC**  
27400 Northwestern Highway  
P.O. Box 307  
Southfield, MI 48037-0307  
Tel: 248.352.2500  
Fax: 248.352.0018  
plantemoran.com

September 14, 2006

To District Judges Marla E. Parker  
and James B. Brady  
Michigan 47th District Court  
Farmington Hills, MI 48336

Dear Judge Parker and Judge Brady:

We recently completed our audit of the basic financial statements of the State of Michigan 47th District Court for the year ended June 30, 2006. As a result of our audit, we have the following comments and recommendations for your review and consideration.

#### **Internal Control Considerations**

##### **Investment Policy**

It is our understanding that the Court adopted an investment policy several years ago; however, the Court has been unable to locate a copy of the policy at this time. We recommend that the Court consider maintaining a hard copy of the policy to ensure future investments are in compliance with Public Act 20 of 1943, as amended.

##### **Credit Card Policy**

The Court currently uses a credit card for some purchases. Public Act 266 of 1995 authorizes the use of credit cards by local units of government for appropriate expenses. The act also sets specific criteria which should be followed. We recommend that the Court review its credit card policy and ensure it addresses these requirements. If a formal policy has not been adopted, the Court may wish to consider adopting such a policy.



A worldwide association of independent accounting firms

To District Judges Marla E. Parker  
and James B. Brady  
Michigan 47th District Court

2

September 14, 2006

We would like to thank the Court personnel for their assistance during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink that reads "Gordon E. Krater". The signature is written in a cursive style with a large, stylized 'G'.

Gordon E. Krater

A handwritten signature in black ink that reads "Stacey Reeves". The signature is written in a cursive style with a large, stylized 'S'.

Stacey L. Reeves